

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015 / 2016 SESSION

DAU5018 – AUDITING 1

(For Diploma Students Only)

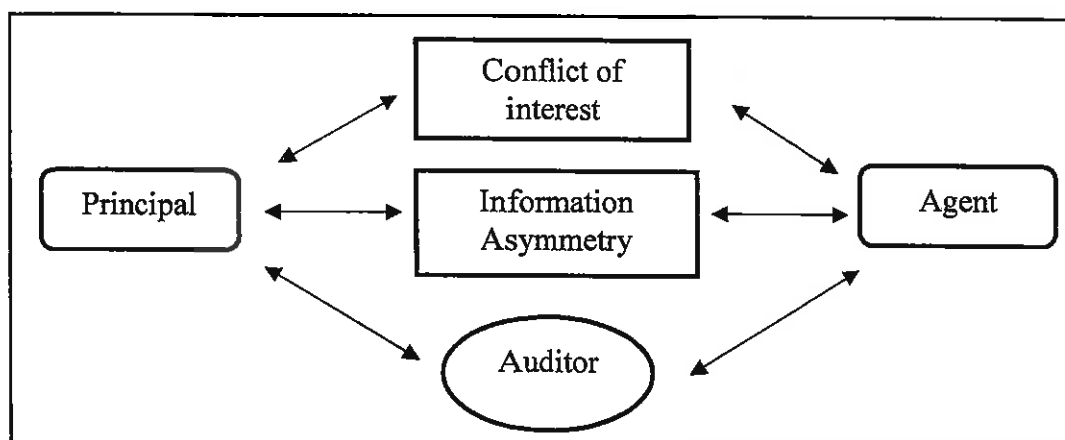
3 JUNE 2016

3 p.m - 6 p.m

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 3 pages with 5 questions.
2. Answer ALL questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

- (a) Based on the illustration above, explain the principal and agent relationship. Your answer must include the following terms:

- (i) principal (2 Marks)
- (ii) agent (2 Marks)
- (iii) information asymmetry (2 Marks)
- (iv) conflict of interest (2 Marks)
- (v) auditor (2 Marks)

- (b) Based on Section 9(1) of Companies Act 1965, under six conditions a person is prohibited from acting or accepting appointment as the auditor of the company.

Required:

Identify the **SIX (6)** conditions that are applicable to the Act. (6 Marks)

- (c) There are two sets of approved accounting standards in Malaysia. Identify and differentiate between these two sets of accounting standards. (4 Marks)

[TOTAL 20 MARKS]

Continued.....

QUESTION 2

“There are three stages in the accounting process that take place in the preparation of financial statements.”

Required:

- (a) Explain any **TWO (2)** stages in the accounting process. **(4 Marks)**
- (b) Explain any **TWO (2)** responsibilities of each of the following audit team member.

- Audit Partner
- Audit Manager
- Audit Senior
- Audit Assistant

(16 Marks)

[TOTAL 20 MARKS]

QUESTION 3

- (a) “Auditor’s report is essential to audit engagement because they communicate the audit findings. Users of financial statements rely on the auditor report to provide assurance on the company’s financial statements.”

Required:

Identify and explain any **FIVE (5)** basic elements of an audit report. **(10 Marks)**

- (b) “Reliability refers to whether a particular type of audit evidence can be relied upon to signal the true state of an assertion or audit objective.”

Required:

- (i) Define audit evidence. **(2 Marks)**
- (ii) What are the **FOUR (4)** factors that auditor need to consider to examine the reliability of an audit evidence? **(8 Marks)**

[TOTAL 20 MARKS]

Continued.....

QUESTION 4

- (a) Define internal control and identify the **FOUR (4)** objectives of internal control.
(10 Marks)
- (b) What are the auditor's and management's responsibilities related to internal control?
(4 Marks)
- (c) Identify and explain **THREE (3)** limitations of a company's internal control.
(6 Marks)

[TOTAL 20 MARKS]**QUESTION 5**

- (a) "In Malaysia, a public listed company is required to set up audit committee."

Required:

- (i) Define an audit committee.
(2 Marks)
- (ii) Identify any **FOUR (4)** functions or duties of an audit committee.
(8 Marks)
- (b) "When it appears that internal auditing is relevant to the external audit, the external auditor should perform a preliminary assessment of the internal audit function."

Required:

- What is internal auditing?
(2 Marks)
- (c) Provide any **TWO (2)** differences between internal auditing and external auditing.
(8 Marks)

(Note: You may use the table format as presented below to write your answer)

| Differences | Internal auditing | External auditing |
|-------------|-------------------|-------------------|
| | | |
| | | |

[TOTAL 20 MARKS]**End of Page.**